



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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GOVERNOR

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May 30, 2008

Dear Kentucky Public School Teacher:

I write to you today to update you on my administration's continued efforts to enact pension reform to protect your retirement savings.

As you know, during the last session, the House and Senate passed separate bills that were strikingly similar. In fact, the two bills proposed using the exact same measures and the exact same legislative language to ensure the long term financial stability of the Kentucky Teachers' Retirement System.

To remind you, **we proposed—and the House and Senate agreed—that there should be no changes to the pension benefit packages of teachers and retired teachers who are currently in the system.** The commonwealth is legally and morally bound to the terms of its inviolable contract with current teachers and retirees, and that pledge will be honored. Instead, the legislature agreed on measures to strengthen the system by modernizing benefits for future hires, giving incentives to those teachers who make the classroom their career.

Unfortunately, the General Assembly could not come to agreement on other extraneous issues, and as a result, it did not pass legislation that would have ensured the safety and stability of your pensions.

I have decided to take firm action.

Yesterday, I issued an Executive Order to create a new working group, composed of experts from government, the private sector, the cities and counties, and employee groups, to tackle two of the major cost drivers of the pension liability faced by the Kentucky Teachers Retirement System.

This group will recommend ways to improve investment return for the pension funds, and measures to finally get the state on track to meet its funding obligations to the pension systems.

I am also asking the working group to deal with the key issues that were in dispute during the legislative session—involving governance of the other pension systems and consideration of new models for future benefits. These issues have never been fully vetted, nor did they receive any recommendation from the prior administration's Blue Ribbon Commission. I have directed the working group to have recommendations to me no later than November 1, so that they may be considered by the 2009 General Assembly.

But we must act now to stop the hemorrhaging of costs to our pension systems and to our cities, counties, and school districts.

Accordingly, yesterday I met with House and Senate leaders and asked them to work together to reach agreement in the next three weeks on the consensus issues so that we can act before June 30, the end of the fiscal year. They have already agreed on measures to strengthen the Kentucky Teachers' Retirement System—there is no reason why they should not be able to pass such reform in a special session. And if—and only if—they can come to agreement, I will call a special session for the week of June 23.

With county and city governments and school districts struggling to make ends meet, this pension reform will provide at least \$50 million dollars of immediate relief starting July 1. This means that there would be \$50 million more money in the pockets of the cities, counties and school districts to spend, right now.

If you are interested in reviewing the draft legislation, and summaries of my proposals, please check them out at www.finance.ky.gov.

I believe it is time to set aside issues that divide us, to identify all of the significant things we agree on, and work together to come up with a significant and substantial solution to the pension mess we are in. Delaying action would be detrimental to teachers, to our local governments, to the taxpayers, and to the retirement systems.

I thank you for your time and attention and ask for your support in this important pension protection effort. I have great appreciation for our tremendously talented educators, and I am truly honored to serve as your governor.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Beshear". The signature is fluid and cursive, with the first name "Steve" and last name "Beshear" clearly distinguishable.

Steve Beshear